

INTERNSHIP REPORT
ON
FOREIGN EXCHANGE POLICY OF
EXPORT IMPORT BANK OF
BANGLADESH LIMITED (EXIM BANK)



Master of Business Administration

BRAC University

INTERNSHIP REPORT
ON
FOREIGN EXCHANGE POLICY OF EXPORT IMPORT BANK OF
BANGLADESH LIMITED (EXIM BANK)



Submitted To:

Mohammad Rezaur Razzak

Director (In-Charge)

BRAC Business School

Submitted By:

MD. Moniruzzaman

Master of Business Administration

(Major in Marketing)

Stu: ID # 10364050

Master of Business Administration

BRAC University

Date of Submission,

LETTER OF SUBMISSION

Mohammad Rezaur Razzak
Director (In-Charge)
BRAC Business School

Subject: Submission of Internship Report on “Foreign Exchange Policy of Export Import Bank of Bangladesh Limited.”.

Dear Sir,

With a great pleasure I here submit the report on the “**Foreign Exchange Policy of Export Import Bank of Bangladesh Limited.**” which has been done as the main part of the requirement of the course. I express my profound gratitude to my supervisor Mohammad Rezaur Razzak, Director (In-Charge), BRAC Business School for providing his important instructions, proper suggestions and corrections for improvement.

While doing my internship, I have the opportunity to meet all employees in the Elephant Road Branch (EXIM Bank). Almost each of the people I came across had been very helpful.

However, should you need any clarification I will be obligated to provide with further explanation.

Thank you

Yours sincerely,

MD. Moniruzzaman
Stu: I.D:-10364050

Acknowledgement

For making a study report, a sincere supervision, and guidance of expert and experienced professionals are required. I have received sincere co-operation, valuable suggestions, inspirations, and references from my respected Teachers and the Executives of EXIM Bank Ltd. First of all, I express my profound gratitude to my supervisor Mohammad Rezaur Razzak, Director (In-Charge), BRAC Business School for providing his important instructions, proper suggestions and corrections for improvement.

I like to express my thanks and deepest gratitude to EXIM Bank Ltd. Staff of Elephant Road Branch for giving me the opportunity, appointment for the internship program that I have completed. I also want to acknowledge the guidance of the Manager and all Officers and staffs of EXIM Bank Ltd who spared their valuable time for me. I will never forget their kind and friendly behavior.

I am thankful to my friend and fellow internship students whose are continuing internship program besides me who helped me to complete this report's been a great experience to work as an intern in an organization like EXIM Bank Ltd. To prepare this particular paper, I had to go through all type of accounts which gave me a good idea about that. I got full support from the all staffs of the EXIM Bank Ltd. Elephant Road Branch. Specially, I express my gratitude towards Mr. Shah Md. Abdul Bari, Senior Executive Vice President, Head of Special Audit Division of EXIM Bank Ltd. gave me the opportunity to do internship in EXIM Bank Ltd. I also give thanks Amina Afrooz, (Operation Manager, EXIM Bank Ltd. Elephant Road Branch), Mr. Belal Uddin Mahmud. (Senior Officer) and Mr. Imtiaz Khalil, (Trainee Officer) whose gave me all the support that I needed to prepare the report.

Last of all, my deepest gratitude goes to Almighty Allah for giving me courage and ability to complete this task

Executive Summary

Banking sector is expanding its hand in different events every day. At the same time the banking process is becoming faster, easier, and the banking area becoming wider. As the demand for better service increases day by day, they are coming with different innovative ideas and products. In order to survive in the competitive field of the banking sector, all banking organization are looking for better service opportunity to provide their fellow clients. As a result, it has become essential for every person to have some idea on the bank and banking procedure. EXIM Bank Ltd. Believes in the vision of together, towards, tomorrow. To achieve the desire goal the bank is showing the excellence at all stages with a climate of continuous improvement. Banks strategic plans and networking will strengthen its competitive performance over others in this rapidly changing competitive environment.

In chapter one I have discussed about the introduction, origin, scope, data collection, limitation & methodology of the study. In chapter two, I have discussed about the historical background, organizational structure mission, vision, objective & performance of Export Import Bank of Bangladesh Ltd. In chapter three I have discussed about the general banking of EXIM Bank. Topic analysis is in chapter four which include foreign exchange policy of EXIM Bank Ltd. Then in chapter five I have showed different kinds of analysis and findings about the EXIM Bank Ltd. After that in chapter six I have placed suggestions and recommendation in chapter seven I have given my conclusion.

The overall objective and mission of my research was to represent the Export Import Bank of Bangladesh Ltd. and to have a clear conception about all the essential parts of the internship program.

I hope this report, despite its many limitations, will be a gateway to have a clear concept about the foreign exchange activities of EXIM Bank Ltd.

CHAPTER 1:

INTRODUCTION

1.1 Introduction

Generally by the word “Bank” we can easily understand that the financial institution deals with money. But there are different types of banks like; Central Banks, Commercial Banks, Savings Banks, Investment Banks, Industrial Banks, Co-operative Banks etc. But when use the term “Bank” without any prefix, or qualification it refers to the Commercial banks. Commercial Banks are the primary contributor to the economy of a country. So we can say Commercial Banks are a profit making institution that holds the deposit of the individuals & business in checking & saving account and then uses these funds to make loans. For these, people and government are very much dependent on these banks as the financial intermediary. As banks are profit earning concern; they collect deposit at the lowest possible cost and provide loans and advanced a higher cost. The differences between two are the profit for the bank.

Banking sector is expanding its hand in different events every day. At the same time the banking process is becoming faster, easier, and the banking area becoming wider. As the demand for better service increases day by day, they are coming with different innovative ideas and products. In order to survive in the competitive field of the banking sector, all banking organization are looking for better service opportunity to provide their fellow clients. As a result, it has become essential for every person to have some idea on the bank and banking procedure.

1.2 Origin of the Report

To complete a MBA degree it is necessary to perform an internship program under any reputed organization. This program actually makes a relationship between theoretical and practical knowledge. By the helps of this program we can build ourselves confident that we can handle the practical job life. As a part of the requirement of the MBA Program of the Faculty of Business Administration of BRAC University the project was assigned on the topic is “**Foreign Exchange Policy of Export Import Bank of Bangladesh Ltd (EXIM Bank).**”

1.3 Scope of the Report

As I was sent to the EXIM Bank, **Elephant Road Branch**, the scope of the study is only limited to this Branch. The report covers its overall department wise function, structure and performance. The report also covers the topic of “**Foreign Exchange Policy of Export Import Bank of Bangladesh Ltd (EXIM Bank).**” To conduct a study on what is Islamic Banking concept (EXIM Bank) (Interest Free commercial Bank) I have gathered valuable information from BRAC University library & EXIM Bank Limited. I have also got some information from web site.

1.4 Highlights on the Overall Activities:

Particular	Amount In Million Taka			
	2011	2010	2009	2008
Authorized Capital	20000.00	10000.00	10000.00	3500.00
Paid up Capital	9223.56	3832.27	3373.96	2677.75
Shareholder's Equity	14484.22	12474.85	6717.21	4989.20
Total Capital	16109.56	13957.40	7718.89	5763.89
Total Assets	68,446,367,960	51,503,027,985	41,793,540,962	33,716,699,328
Total deposits	57,586,997,827	41,546,568,592	35,032,024,625	28,319,212,367
Total Investment	53,637,689,433	40,195,239,222	32,641,270,316	26,046,341,111
Total Contingent Liabilities & Commitments	26,070,573,896	22,632,654,873	18,994,087,363	15,941,526,797
Profit after tax and provisions	1,096,632,231	930,843,607	650,292,342	555,335,174
Classified investment for the year	635,406,791	588,173,168	490,989,781	424,793,369
Provision held against classified investment	270,763,271	183,888,706	104,877,890	121,237,758
Surplus/(Shortage) of provision	----	----	6,950,000	----
Profit earning assets	56,192,525,073	42,657,645,536	35,161,475,381	28,743,430,581
Non-profit earning assets	12,253,942,353	9,145,382,449	6,632,065,581	4,973,268,747
Income on investment (Share and Bonds)	196,865,967	205,594,883	121,460,342	108,222,200

(Source: Annual Report 2011)

CHAPTER 2:

Organizational Review

2.1 Background of the Study

The internship program which is necessary to complete the MBA program exercise a significant importance as it enables a student to familiar with the practical business activities. The student work closing with the people of an organization and learn about the function of that organization. This program enables a student to develop his analytical skills and scholastics attitude.

2.2 Historical Background of EXIM Bank Ltd.

Export Import Bank of Bangladesh Limited was established in the year 1999 under the leadership of Late Mr. Shahjahan Kabir, Founder Chairman who had a long dream of floating a commercial bank which would contribute to the socio-economic development of our country. He had a long experience as a good banker. A group of highly qualified and successful entrepreneurs joined their hands with the founder chairman to materialize his dream. Indeed, all of them proved themselves in their respective business as most successful star with their endeavor, intelligence, hard working and talent entrepreneurship. Among them, Mr. Nazrul Islam Mazumder who is an illuminated business tycoon in the Garments business in Bangladesh became the Honorable Chairman after the demise of the honorable founder chairman.

The Bank starts functioning from 3rd August, 1999 with its name as Bengal Export Import Bank Limited. On 16th November 1999, it was renamed as Export Import Bank of Bangladesh Limited with Mr. Alamgir Kabir as the Founder Advisor and Mr. Mohammad Lakiotullah as the Founder Managing Director respectively. Both of them have long experience in the financial sector of our country. By their pragmatic decision and management directives in the operational activities, this bank has earned a secured and distinctive position in the banking industry in terms of performance, growth, and excellent management. Under the leadership of Mr. Lakiotullah, the Bank has migrated all of its conventional banking operation into Shariah Based Islami Banking in the year July 2004.

2.3 Capital.

The bank is started with an authorized capital of TK. 1000 million while its initial paid up Capital was TK. 225.00 million subscribed by the sponsors in the year 1999. The Capital and Reserve of the Bank as on 31st December 2011 stood at Tk. 16,109.56 million including paid up capital of Tk. 9223.56 million. The Bank also made provision an unclassified investment which is amounted to Tk. 99699.63 million.

2.4 Corporate Information (EXIM BANK) At a Glance:

(Information as per last Annual Report 2011)

Name of the bank	: EXIM Bank of Bangladesh Limited
Status	: Private Limited Company
Date of Incorporation	: 2 nd June, 1999
Inauguration of the first branch	: 3 rd August, 1999
Authorized Capital	: Tk. 20,000.00 Million
Paid-up-capital	: Tk 9,223.56 Million
Investment (General)	: 99699.63
Deposits	: 107881.21
Number of Shareholders	: 126,681
Chairman	: Mr. Md. Nazrul Islam Mazumder.
Managing Director	: Mr. Md. Fariduddin Ahmed
Directors	: 21
Number of Branches	: 62 (Including SME/Agriculture)
Number of Employees	: 1724
Head Office	: SYMPHONY, Plot No.SE (F)-9, Road No-142 Gulshan Avenue, Dhaka-1212, Bangladesh
Credit Rating	: ‘AA-‘ (High Safety) : ‘ST-2’ (High Grade)

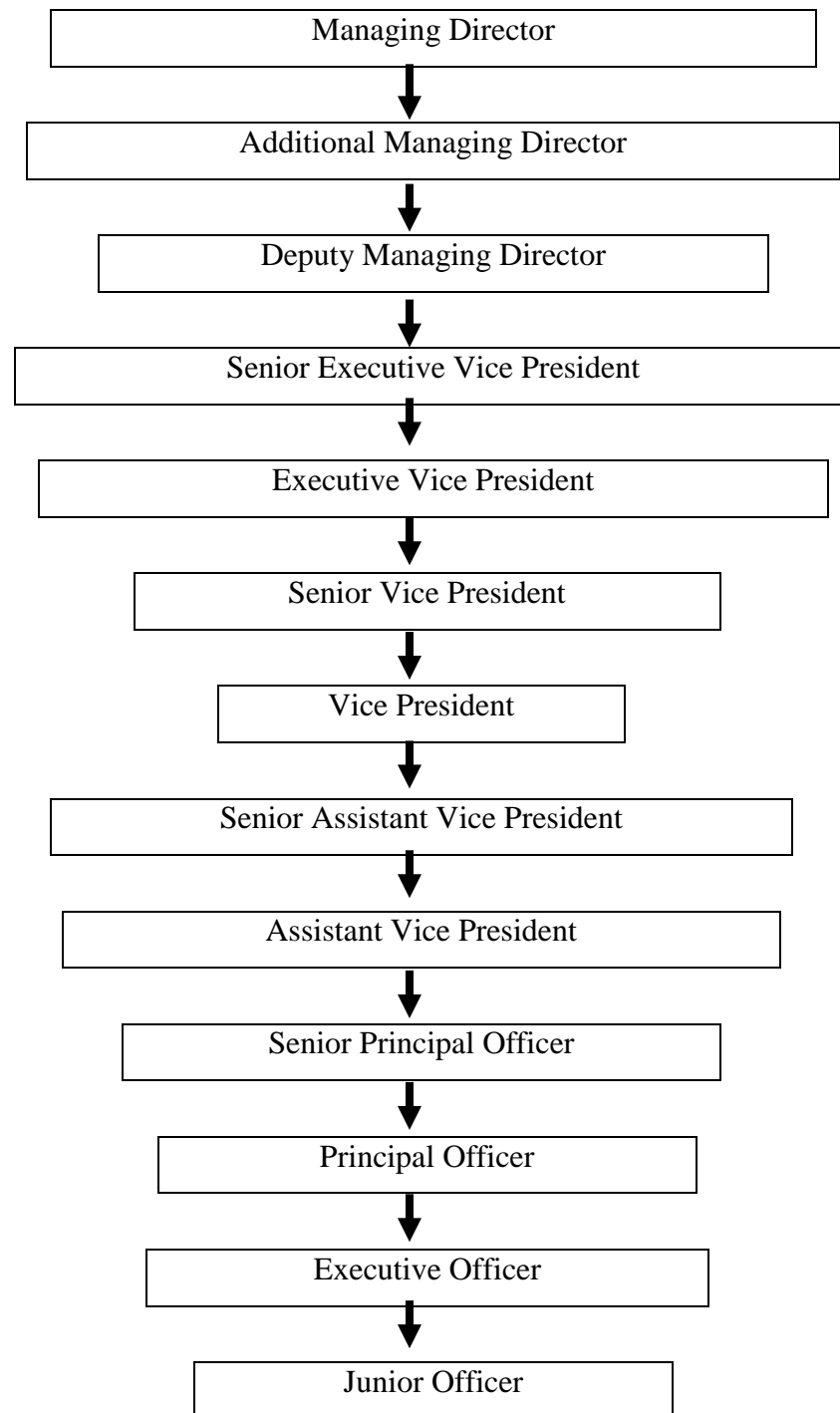
2.5 Dividend Position of The EXIM Bank

Year wise Dividend Position of the Bank

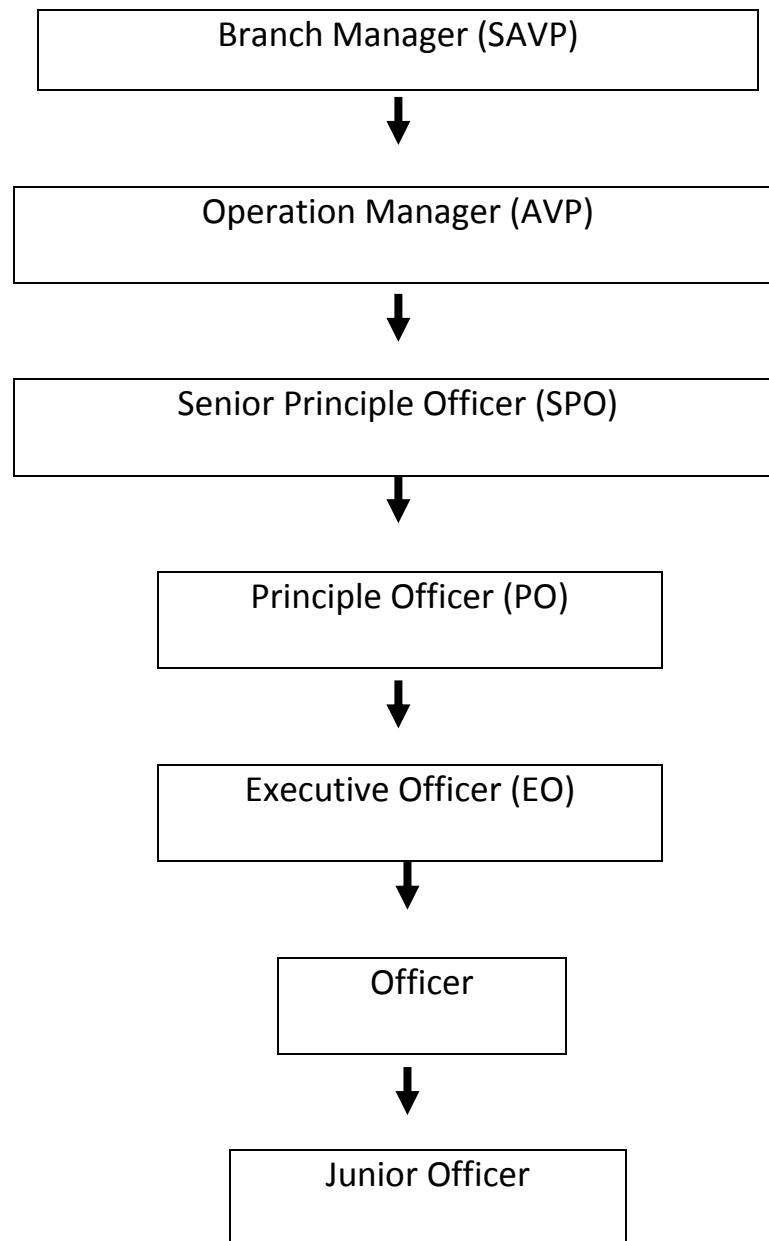
Year	% Cash dividend	% Stock dividend	Total
1999	Nil	Nil	Nil
2000	14.00%	Nil	14.00%
2001	25.00%	12.50%	37.50%
2002	8.00%	24%	32.00%
2003	40.00%	Nil	40.00%
2004	Nil	40%	40.00%
2005	Nil	30%	30.00%
2006	Nil	25%	25.00%
2007	7%	25%	32.00%
2008	Nil	26%	26.00%
2009	Nil	35%	35.00%
2010	Nil	35%	35.00%
2011	Nil	14%	14.00%
2012	Nil	10% (Recommended)	10.00%

Source: Annual Report 2011

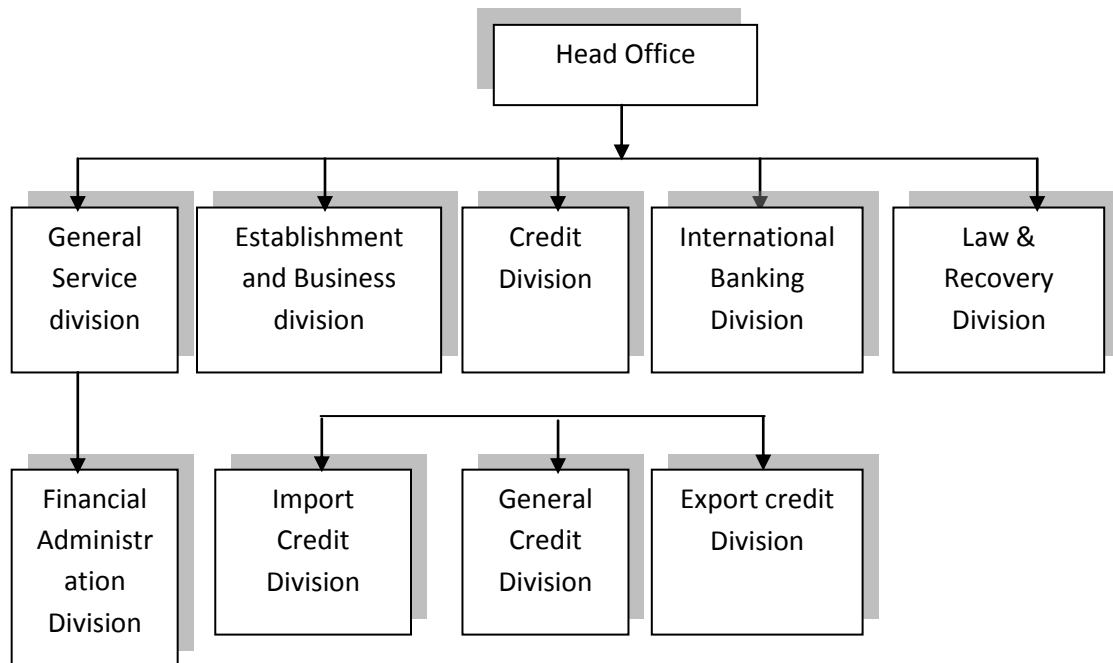
2.6 Organizational structure of EXIM Bank Limited:



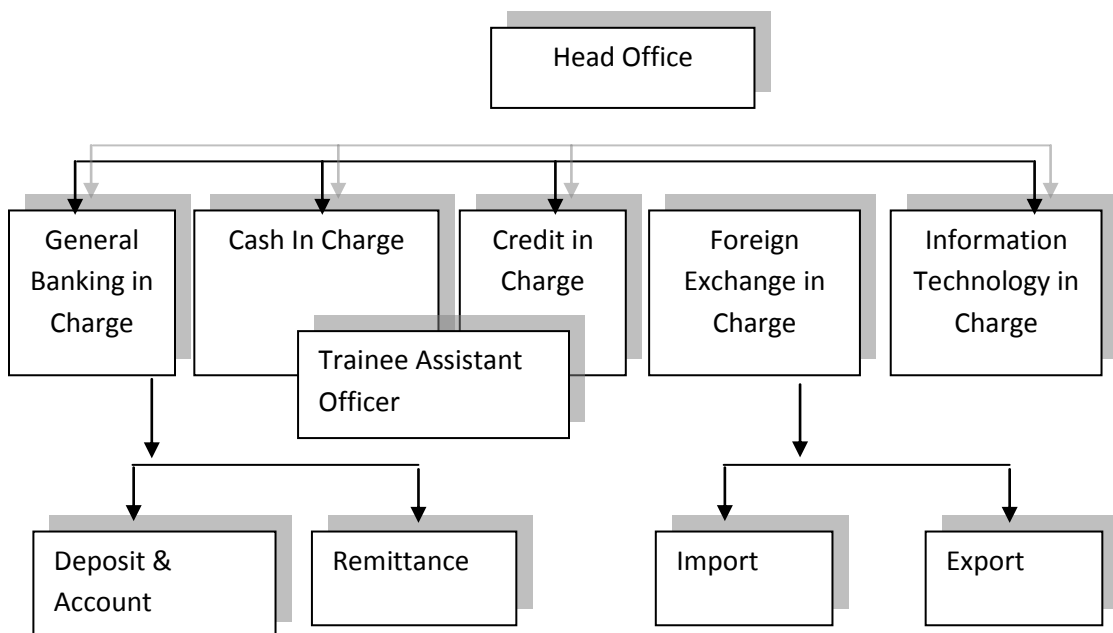
2.7 Organizational structure of the Elephant Road Branch:



2.8 Organism of Head Office



2.9 Organism of Elephant Road Branch



2.10 Vision & Mission

Vision

The gist of **EXIM Bank Limited** vision is “**Together Towards Tomorrow**”. **EXIM Bank Limited** believes in togetherness with its customer, in its march on the road to growth and progress with services. To achieve the desired goal, there will be pursuit of excellence at all stages with a climate of continuous improvement, because, **EXIM Bank Limited** believes the line of excellence is never ending. Banks strategic plans and networking will strengthen its competitive edge over others in rapidly changing competitive environment. Its personalized quality service to the customers with the trend of improvement will be cornerstone to achieve our operational success.

Mission

The Bank’s mission gives emphasize to:

- To provide quality financial services especially in Foreign Trade
- To continue a contemporary technology based professional banking environment
- To maintain corporate & business ethics and transparency at all levels
- Sound capital base
- To ensure sustainable growth and establish full value to the honorable stakeholder
- To fulfill its social commitments and
- Above all, to add positive contribution to the national economy

2.11 Objective of the Report

Primary objective:

The primary objective of preparing this report is to represent the EXIM Bank Bangladesh Limited and to have a clear conception about all of the essential parts of the internship program.

Secondary Objective:

1. To establish welfare oriented banking system.
2. To understand the Islamic Banking system and its overview.

3. To evaluate the customer service of the EXIM Bank Limited.
4. A brief discussion on the foreign exchange.
5. To gather practical knowledge on Banking & to compare theory to ongoing practices

2.12 Limitations

I had to face many different problems while preparing this internship report. At the same time I tried to make an adjustment with those problems.

Those problems are as follows;

- It was very difficult to collect the information from various personnel for the job constrain.
- Bank policy was not disclosing some data and information for various reasons.
- The department people always remain busy due to lack of supporting employees so they could not dedicate their full efforts.
- Because of the limitation of information some assumption was made. So there may be some personal mistake in this report.
- The time 3 months only, which is insufficient to know all activities of the branch are prepare the report.
- I had no opportunity to verify the satisfaction level of clients and receive their suggestions in banking activities.

2.13 Methodology

This report has been prepared on the basis of experience gathered during the period of internship. For preparing this report, I have also get information from annual report and website of the EXIM Bank Ltd. I have presented my experience and finding by using different charts and tables. Which are presented in the analysis part.

The details of the work plan are furnished below:

➤ Data collection method

Relevant data for this report has been collected primarily by direct investigation of different records, papers. Documents operational process and different

personnel. No structured questionnaire has been used. Information regarding office activities of the bank has been collected through consulting and discussion with bank personnel.

➤ **Data sources method**

Both primary and secondary source of data are used to complete this study. These two sources are explained below:

Primary sources:

- Face to face conversation with the bank officers and staffs
- Conversation with the clients
- Different manuals of EXIM Bank Ltd.
- Different circulars of EXIM Bank Ltd.

Secondary sources:

- Annual report of EXIM Bank Ltd.
- Different papers of EXIM Bank Ltd.
- Files and documents of the branch
- Unpublished data
- Different text books

2.14 Performance of EXIM Bank Limited

The year 2010 was remarkable year simultaneously for development and achievements of continuous growth rate in all the areas of banking operations. The bank has successfully been marching ahead with its prime business objective by earning a pre-tax profit of Tk. 5308.95 million registering an annual growth of 89.46% than- that of the previous year. It has successfully mobilized Tk. 94949.40 million deposits from depositors and arranged disbursement of Tk. 93296.65 million as Investment to 22091 accounts as on 31 December 2010 through its 59 Branches. The total Income and expenditure of the Bank of the Bank were Tk. 13723.95 & 7830.16 million. The return on assets (After Tax) - (ROA) - was 3.54%% well above the- industry average. Achievements were possible because of the service excellence of management team with support from a very resourceful and- skilled workforce who are rendering efficient and specialized services.

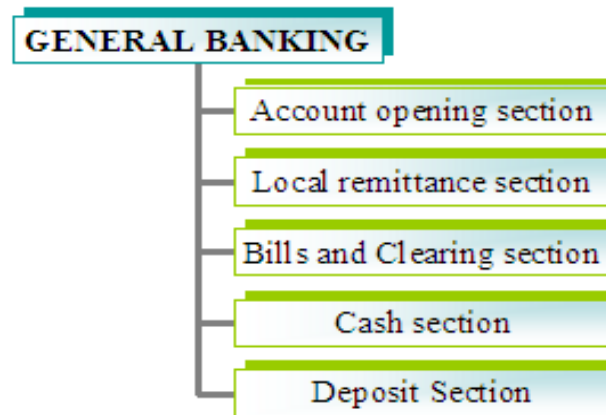
2.15 Overall Performance of EXIM Bank Ltd.

Growth of EXIM Bank Ltd.						
Figure in Crore						
Sl.	Particulars	2007	2008	2009	2010	2011
1	Authorized Capital	350.00	350.00	1000.00	1000.00	2000.00
2	Paid-up Capital	214.22	267.78	337.40	683.23	922.36
3	Reserve Fund	113.46	153.26	209.30	315.48	384.98
4	Deposits	4154.66	5758.70	6860.99	9329.66	9969.96
5	Investment (General)	4019.52	5363.77	6860.99	9329.66	9969.96
6	Investment (Shares on Bonds)	245.77	289.40	218.95	452.20	673.40
7	Foreign Exchange Business	11790.01	15643.46	16260.46	22796.66	25440.74
	a) Import Business	6139.94	7854.05	8391.15	12957.07	12844.58
	b) Export Business	5579.04	7646.56	7624.07	9535.94	12221.73
	c) Remittance	71.03	142.85	245.23	303.64	374.44
8	Operating Profit	190.82	251.84	318.18	589.38	395.58
9	Loan as a % of total Deposit	96.75%	93.14%	92.92	98.26	92.42
10	No. of Foreign Correspondent	256	278	333	354	336
11	Number of Employees	1104	1312	1440	1686	1724
12	Number of Branches	35	42	52	59	62
13	Return on Assets	2.00%	1.83%	2.19%	3.54%	1.65%

(Source: Annual Report 2011)

3.1 GENERAL BANKING

General banking is the starting point of the banking operation. It is the department which provides day-to-day services to the customers' main functions of general banking department are the following:



3.1.1. Accounting Opening Section

The relationship between banker and customers begins with the opening of an account by the customer. Opening an account binds the banker and customers into contractual relationship. But selection of customer for opening an account is very crucial for a bank. In fact, fraud and forgery for all kinds start by opening an account. So bank should take extreme caution in this section. A customer can open different types of accounts through this department such as:

- Current Account.
- Savings Account.
- Term Deposit (STD) Account.
- Fixed Deposit (FDR) Account.
- Deposit Scheme.

3.1.2 Current Account: Al-Wadia Current Deposit

Al-Wadia current account follows the Principle of Islami Shariah wherein the bank is deemed as a keeper and trustee of funds as Al-Amana. This deposit that operates by taking permission from depositors would be taken to use their fund according to Shariah Principle and depositors would not receive any kind of profit. As such the bank is under obligation to return the entire money on demand by the customer.

Main Features

- Halal way or without interest transaction
- Unlimited deposit or withdrawal
- No profit will be given
- Cheque book facilities
- ATM Card
- Free online transaction
- No over draft will be allowed in the account

Required Documents

- Account opening duly filled up and signed by account holder
- Two copies passport size photographs of every operators duly attested by introducer
- Photographs of National ID Card/Passport/Chairmen Certificates
- Introducer signature

Terms and Condition

- Account will be operated as per Mudaraba Principals
- At least 65% of investment income will be distributed among the Mudaraba Depositors as per weightage allocated for each accounts
- Mudaraba Savings Deposit will bear 0.75 weightage

3.1.3 Saving Account: Mudaraba Saving Deposit

Mudaraba savings account is open under the Mudaraba principle of Islami Shariah. Mudaraba savings accounts are mainly meant for Non-Trading customers who have some potential saving with small no. of transactions taking place. More than one person can open and operate a Mudaraba savings account. A guardian on behalf of a minor can open a Mudaraba savings account. The account provides expected half-yearly provisional profit.

Main Features

- Attractive provisional rate of profit
- Minimum initial deposit is Tk. 1000.00
- Half-yearly account statement
- Debit card facility with limited withdrawal
- Free ATM cash withdrawal from all ATM of EXIM Bank
- SMS banking for statement
- Salary crediting facility
- Cheque book facility
- Fund transfer facility
- Profit will be calculated on monthly basis

Required Documents

- Completed account opening form duly signed by account holder
- Two copies passport size photographs of every operators duly attested by introducer
- Photographs of National ID card/Passport/Chairman certificates
- Introducer signature
- Passport size photographs and signature of nominee

Terms and Condition

- Account will be operated as per Mudaraba principals.
- At least 65% investment income will be distributed among the Mudaraba Depositors as per weightage allocated for each accounts.
- Mudaraba Savings Deposit will bear 0.75 weightage.

3.1.4.Term Deposit (STD) Account: Mudaraba Term deposit Receipt

Mudaraba Term Deposit Receipt (MTDR) account is opened under the Mudaraba (Profit Sharing) principal of Islami Shariah. It is issued by exim bank branches against deposit of certain amount of money by customer, person, and organization. These deposits are repayable subject to period of notice. The minimum amount of MTDR, rate, renewal procedure and premature encashment rules determined and circulate the Head Office from time to time. These deposits are repayable subject to a period of notice and hence known as time deposit or time liabilities meaning thereby that these are withdraw able subject to a period of notice and not on demand.

Main Features

- Any adult person (individually or jointly) having sound mind can open MTDR Account
- Minimum depositing amount Tk. 10000.00 and above but multiple of 100.00
- One or more account can be opened in the same name at the same branch of the bank
- Profit will be calculated on daily basis on provisional rate of profit
- Investment against lien of such receipt may be allowed up to 90% of deposited amount

Terms and Condition

- No profit shall be allowed for premature encashment within one month
- If the account is encashed after completion of any tenure but before maturity, depositors will be entitled to receive the benefit at the provisional rate of profit of Mudaraba Savings Account
- The provisional rate of profit of Mudaraba Savings Account will treat the provisional rate of profit

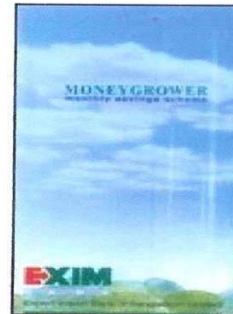
3.1.5. Fixed Deposit (FDR) Account: Deposit Scheme

3.1.5.1 Mudaraba Super Saving Scheme:



Mudaraba Super Saving Scheme helps to build up capital and it is the prime source of business investment in a country. To create more awareness and motivate people to save, EXIM Bank offers Super Saving Scheme. Any customer can open more than one account in a branch in his/her name or in joint names. The deposit can be made in multiples of Tk. 5,000.00. The deposit will approximately be double in 5 years 6 months.

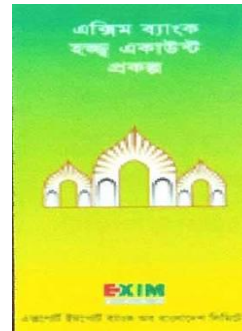
3.1.5.2 Mudaraba Monthly Saving Scheme:



Mudaraba Monthly Savings Scheme helps to the secure with ease. It provides small savings of today that will comfort tomorrow to their clients. The savings amount is to be deposited within the 10th of every month and this deposit may also be made in advance. The savings period is for 5, 8, 10 or 12 years.

3.1.5.3 Mudaraba Multiplus Savings Scheme: Mudaraba Multiplus Saving Scheme helps to gather public's idle money in exchange of high return with the shortest possible time. Any customer can open more than one account in a branch in his/her name or in joint names. The deposit can be made in multiples of Tk. 5,000.00. The period of deposit is 10 years.

3.1.5.4 Mudaraba Hajj Deposit Scheme:



Mudaraba Hajj Deposit Scheme offer to the customer to fulfill the desire of religious minded people. An adult person having sound mind can open this account only. The tenure of Mudaraba Hajj Deposit Scheme will be 5, 8, 10, 15 and 20 years.

3.2.1. Local Remittance Section

The commercial Bank Remittance facilities to its customer is to enable them top avoid risk rising out of profit or loss in cash carrying cash money to one place to another or making payment to someone in another places. Banks take this risk remit the fund on behalf of the customers to save them from any awkward happening through the network of their branches and ensure payment to the beneficiary in exchange of a little bit benefit known as commission. There are four mode of remitting money from one place to another.

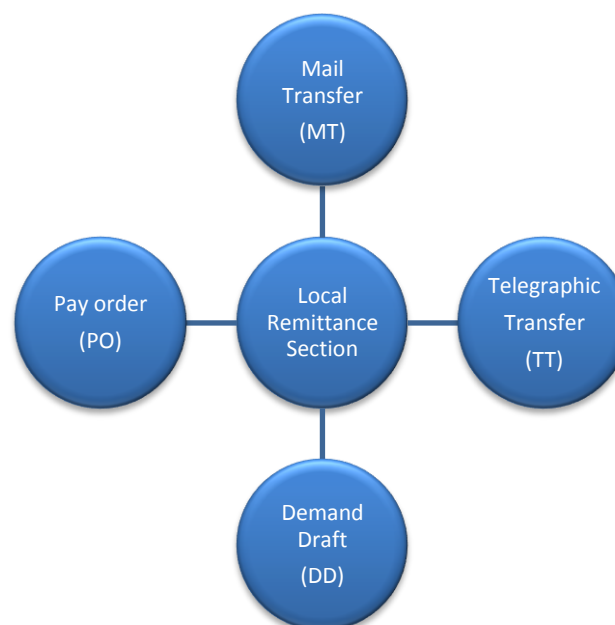


Figure: Local Remittance Section

3.2.2 Pay Order Issue:

Following procedure is maintained for the issuance of pay order (PO):

- Customer is given a PO form.
- After filling the form carefully, the customer is pays the money in cash or by cheques.
- The concerned teller then issue PO on it's specific block. This block has three parts, one for bank and another two for customer. "A/C payee" crossing its sealed on all PO issued by the bank. The teller then
- Writes down the name and address of the beneficiary on the main part of the PO block. In other two part name and address of the customer is written.
- The teller gives an entry to the registry book and maintains the same number of PO block.
- Two authorized officer signed the PO block.
- At the end customer is provided with the two parts of the PO block after signing of the backs of bank's part.

3.2.3 Demand Draft Issue:

- Customer is supplied with DD form.
- Customer fill up the form, which includes the name of the drawer, name of the payee, amount of money to be sent, commission, name of the drawee branch, signature and address of the drawer.
- The customer may pay in cash or by cheques from his accounts
- After the money is paid and the form is sealed and signed accordingly it is given to the DD issuing desk.
- Bank part contains issuing date, drawer's name, payee's name and some of the money and name of the drawee branch.

After finishing all the required information entry of the DD is given in the DD issuing register and at the same time bank issues a DD confirmation slip is entered into the DD advice issue register and a number is put on the confirmation slip form the same register. Later the bank mails this advice to the drawer branch.

3.2.5 Telegraphic Transfer (TT):

Customer fills the TT form and pays the amount along with commission in cash or by cheques. The concerned officer issues a coast memo after receiving the TT form with payment seal, than signed it charge Tk. 40.00 and 15% of VAT on TT charge. The TT charge will increase @ Tk. 1 for every Tk. 1000.00.

3.2.4 Mail Transfer (MT):

MT Issue: Following procedure is maintained while issuing a MT.

- Customer is supplied with MT form.
- Customer fill up the form which include the name of the drawer, name of the payee, amount of the money to be sent, commission, name of the drawee branch, signature and address of the drawer.
- The customer may pay in cash or by cheques from his account (if any).
- After the money is paid and form is sealed and signed accordingly it is given to the MT issuing desk.
- Upon receiving the form the concerned officer issues a MT on a particular block
- MT block contain issuing date, drawer's name, payee's name, and sum of the money and name of the drawee branch

3.3.1 Bills and Clearing Section

According to the article 37(2) OF Bangladesh Bank order, 1972, the banks which are the number of clearinghouse are called as schedule banks. The schedule banks clear the cheques drawn upon one another through the clearinghouse. This is an agreement by the central bank where every day the representative of the member banks gather to clearing the cheques. Banks for credit of the proceeds to the customer's account accept cheques and other similar instruments. The bank receives many such instruments during the day form account holders. Many of these instruments are drawn payable at other banks. As cheques payment order or bill come from a bank with the range of local clearinghouse then it is sent for collection through clearinghouse. The cheques may be crossed or not, if a customer of EXIM bank

deposits a cheque of another bank which is within clearinghouse, then the bank will credit his account, and collect the cheque. Through the amount is credited in the customer's account but will not get the money until the cheque is honored.

Essential things for clearing the instrument:

There are three Essential things for clearing the instrument:

- (i) Crossing seal.
- (ii) Endorsement seal
- (iii) Clearing seal

3.4.1. Cash Section

Cash section is a very sensitive organ in a branch and is handled with extra care. Operation of this section begins at the beginning of the banking hour. Cash officer begins his transaction with taking money from the vault, known as the opening cash balance. Vault is kept in a much secured room. Keys to the room under control of the cash officer and branch in charge. The amount of opening cash balance is entered into the cash register. After transaction of whole day, the surplus money remains in the cash counter is put back in the vault and known as the closing balance.

3.5.1 Deposit Section:

The function of the deposit section is very important. It is fully computerized. The Officer of the deposit section maintains account number of all the customers of the bank. They are used different code number for different account. By this section a depositor can know what is the present position of his/her account. The officer makes three types of transactions such as cash, clearing and transfer.

This section performs the following task:

- Post all kind of transaction.
- Provide on demand report.
- Cheque maintenance.
- Preparation of day transaction position.
- Preparation of closing monthly transaction

CHAPTER 4:

Topic Analysis

4.1. FOREIGN EXCHANGE:

Foreign Exchange Department is international department of the bank. It deals globally. It facilitates international trade through its various modes of services. It bridges between importers and exporters. If the branch is authorized dealer in foreign exchange market, it can remit foreign exchange from local country to foreign country. This department mainly deals in foreign currency. This is why this department is called foreign exchange department. The term foreign exchange has different connotations in different contexts. Sometimes it is referred to as the process of conversion of one currency into another, sometimes as the process of transferring money from one country to another. In Bangladesh is has a legal a legal definition too. In terms of section 2(d) of the F. E. R. Act 1947, as adapted in Bangladesh, foreign exchange means foreign currency and includes instruments expressed in foreign exchange, all deposits, credits and balance payable in foreign currency as well as foreign currency instruments such as Draft, TC, Bill of Exchange, promissory note, and Letter of Credit payable in any foreign currency. The business of foreign exchange is getting increasingly complex and intensely competitive. However, in the backdrop of phenomenal growth of Bangladesh's external sector, foreign exchange business provides a challenge as well as an excellent opportunity to accelerate growth of bank's own business. This is the Institution that facilitates international trade payment as banking channel is the way of settlements. Besides, banks meet the other need of foreign exchange transactions of the people of the country as they are authorized to deal in foreign exchange upon receipt of permission from Central Bank under Foreign Exchange Regulation Act. All exports and imports are executed through the intervention of banks. They make the way through which exporter can get payment from importer. On the other hand they make the payment for the importer done by the people of Bangladesh. Side by side, they provide funded and non funded credit facility in execution of International Trade.

4.2. Foreign Exchange Operations of EXIM Bank

Foreign exchange department deals with foreign currency and the transaction of it. The major job of this department is listed below:

1. Letter of Credit (for Export & Import)
2. Dollar/Travelers Cheque (TC) Endorsement
3. Foreign Remittance
4. Foreign Currency Account

4.2.1. Letter of Credit (For Export & Import)

Letter of Credit is a guarantee or undertaking or commitment to the beneficiary/exporter for making payment issued by the issuing bank on behalf of the importer upon fulfillment of some conditions. As distance involved in international trade, buyers and sellers do not know each other. It is difficult for both the buyers and seller to appreciate each others' integrity and credit worthiness. Apart from this it is also difficult to know various regulations prevailing in their respective countries regarding export and import. Thus the buyer wants to be assured of goods and sellers want to be assured of payments. Central Banks, therefore assure these things to happen simultaneously by opening Letter of Credit guaranteeing payments to seller and goods to buyer. By opening a Letter of Credit on behalf of buyer in favor of seller, commercial banks undertake to make payments to a seller subject to submission of documents drawn on in strictly compliance with Letter of Credit terms giving title of goods to the buyer. It is a conditional guarantee. The Letter of Credit thus constitutes one of the most important methods of financing foreign trade.

i. Is to make a payment to or the order of a third party ("the Beneficiary"), or is to accept and pay bills of exchange (Draft's) drawn by the Beneficiary,

ii. Authorizes another bank to effect such payment, or to accept and pay such bills of exchange (Draft(s)),

iii. Authorizes another bank to negotiate,

Against stipulated document(s), provided that the terms and conditions of the Credit and complied with.

On the other hand Letter of credit can be defined as a “Credit Contract” whereby the buyer’s bank is committed (on behalf of the buyers) to place an agreed amount of money at the seller’s disposal under some agreed conditions. Since the agreed conditions include amongst other things, the presentation of some specified documents, the letter of credit is called Documentary letter of credit.

4.2.1.1. Types of Letter Of Credit:

There are many types of Letter of Credits that are used in different countries of the world. But International Chamber of Commerce (ICC) vide their UCPDC- 500, which denotes only two types of LETTER OF Credits:

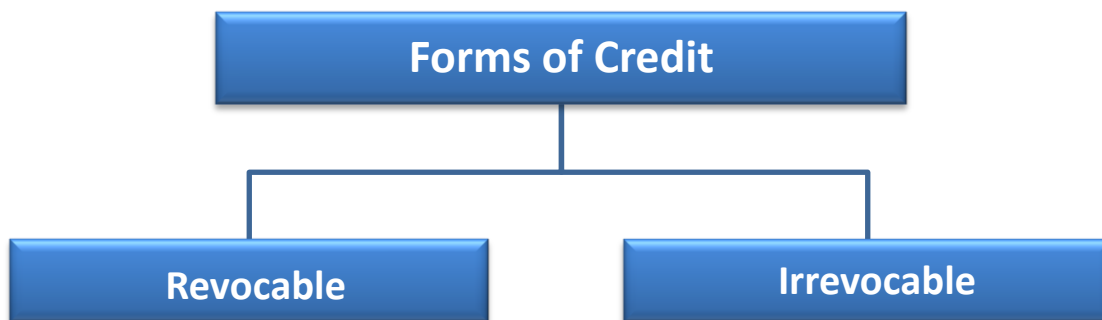


Figure: Forms of Letter of Credit

4.2.1.2. Revocable Letter Of Credit:

A revocable credit may be amended or cancelled by the issuing bank at any moment and without prior notice to the beneficiary. That is to say, this type of letter of credit can be revoked or cancelled at any time without consent of, or notice to the beneficiary. In case of seller (beneficiary), revocable credit involves risk, as the credit may be amended or cancelled while the goods are in transit and before the documents are presented, or although presented before payments has been made. The seller would then face the problem of obtaining payment on the other hand revocable credit gives the buyer maximum flexibility, as it can be amended or cancelled without prior notice to the seller up to the moment of payment buy the issuing bank at which the issuing bank has made the credit available. In the modern banking the use of revocable credit is not widespread.

4.2.1.3. Irrevocable Letter Of Credit:

An irrevocable credit is a documentary credit, which cannot be revoked, varied or changed/amended or cancelled without the consent of all parties- buyer (Applicant), seller (Beneficiary), Issuing Bank, and Confirming Bank (in case of confirmed Letter of Credit). Irrevocable Credit gives the seller greater assurance of payments, but he/she remains dependent on an undertaking of a foreign bank.

Liability of the Issuing and Conforming Banks:

An irrevocable credit constitutes a definite undertaking of the Issuing Bank, provided that the stipulated documents are presented to the Nominated Bank or to the Issuing Bank and that the terms and conditions of the credit.

4.2.1.4. Types of L/Cs provided by the EXIM Bank Limited:

❑ Back to Back L/C :

Back-to-Back L/C is defined as a credit, which is opened at the instructions and the request of the beneficiary of the original export L/C on the strength credit. Back to Back is a term given to an ancillary credit, which arises where the seller's uses the credit, granted to him by the Issuing Bank to its supplier. Sometimes Back-to-Back credit is called Counter Veiling Credits, i.e. credit and counter credit.

There are two types of Back-to-Back credit:

- Foreign Back to Back Credit.
- Local Back to Back Credit

❑ Revolving L/C :

A revolving credit is a credit, which provides for the amount of the credit to be renewed automatically after use without the need to renew the credit every time. It can be resolved with respect to either:

- Time
- Amount (i.e. total value of the credit)

❑ **Transferable L/C :**

A transferable credit is a credit, which can be transferred in whole or part by the original beneficiary to one or more “Second beneficiaries”. It is normally used when the 1st beneficiary does not supply the goods himself, but acts as an intermediary between the supplier and the ultimate buyer.

4.2.1.5. Documentary requirement for opening L/C of EXIM Bank Ltd.

Import shall submit following documents for opening L/C

- Valid import registration certificate (commercial/ industrial).
- TIN certificate.
- VAT registration certificate.
- Membership certificate of a recognize Trade Association as per IPO.
- A declaration that the importer has paid income tax or submitted income tax return for the preceding year.
- Performa invoice or indent duly accepted by the importer
- Insurance Cover Note with Money Paid Receipt covering value good to the imported plus 10% above.
- L/C application form duly signed by the importer.
- Letter of Credit Authorization form (LCAF) commercial or industrial as the case may be, duly signed by the importer and incorporating. New ITC number at least 6 digits under Harmonized System as given in the Import Trade Control Schedule 1998.

4.2.1.6. Opening L/C of EXIM Bank Ltd.

The EXIM Bank may now proceed the opening the credit on behalf of their own customers with them accept government organizations. Necessary entries to be given in the L/C opening register by allocating a L/C number and following vouchers are to be passed for completion of opening transactions at BC selling rate (spot):

(i) Creation of L/C liability

Particular	Dr.	Cr.
Customers liability on L/C cash	xxxxxx	
Bankers liability on L/C cash		xxxxxx

(ii)Margin/Commission & Charges:

Particular	Dr.	Cr.
Client's Account	xxxxxx	
Sundry deposit margin on L/C		xxxxxx
Income A/C commission		xxxxxx
Sundry deposit Document Handling Charge		xxxxxx
S/DVAT (% of Commission) on L/C		xxxxxx
Income A/C (Courier Charges)		xxxxxx
Income A/C (Postage/Telex)		xxxxxx
Income A/C (Other Charges)		xxxxxx

4.2.1.7. Issuing the Letter of Credit of EXIM Bank Ltd.

In this stage, EXIM bank fills the bank-specified-form for issuing Letter of Credit. Generally a Letter of Credit contains the following information and terms and conditions:

- Charges;
- Country of origin of goods;
- Currency and amount ;
- Date and place of the expiry of the Documentary Credits ;
- Description of goods and quantity ;
- Documents required for negotiation;
- Instruction for negotiating bank;
- Last date of shipment;
- Letter of Credit Authorization (LCA) number, IRC (Import Registration Certificate) number and Harmonized System (HS) code;
- Mode of Carrying –Air/Ship/Truck;
- Name and address of beneficiary ;
- Name and address of the advising bank;
- Name and address of the applicant;
- Name of the issuing Bank and Branch;
- Negotiating bank preferably freely negotiable in any bank;
- Number of Letter of Credit and date of opening ;
- Payment Term-Sight/Usance ;
- Period of Negotiation ;
- Period of presentation ;
- Port of Loading and port of Discharge;
- Reimbursing Bank and payment mode;
- Terms and conditions regarding Transshipment and Partial Shipment;

4.2.1.8. Mechanism of L/C:

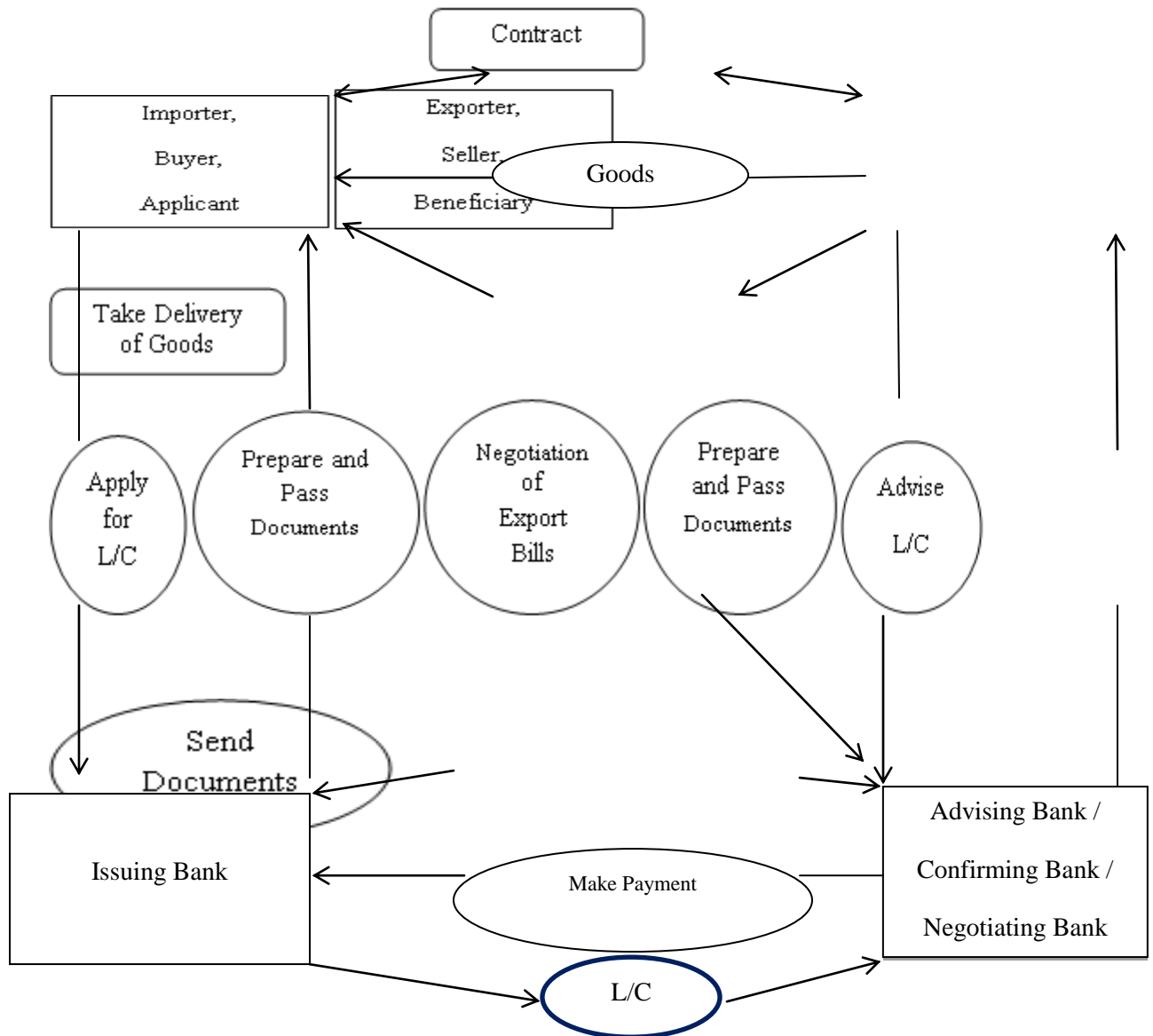


Figure: Graphic Explanation of L/C

4.2.1.9. The Letter of Credit (L/C) Process:

The various steps involved in the operation of a letter of credit are described as follows. Please refer to Figure below for an elaborate illustration.

1. The importer and exporter have made a contract before a L/C has been issued.
2. The importer applies for a L/C from his banker known as the issuing bank. He may have to use his credit lines.
3. The issuing bank opens the L/C that is channeled through its overseas Correspondent bank, known as the advising bank.
4. The advising bank informs the exporter (beneficiary) of the arrival of the L/C
5. Exporter ships the goods to the importer or other designated place as stipulated in the L/C.
6. Meanwhile, the exporter also prepares his own documents & collects transport documents or other documents from relevant parties. All these documents will be sent to his banker, which is acting as the negotiating bank.
7. Negotiation of export bills happens when the banker agrees to provide him with finance. In such case, he obtains payment immediately upon presentation of documents. If not, the documents will be sent to the issuing bank for payment or on an approval basis as in the next step.
8. Documents are sent to the issuing bank for reimbursement or payment
9. Issuing bank honors its undertaking to pay the negotiating bank on condition that the documents comply with the L/C terms and conditions.
10. Issuing bank releases documents to the importer when the latter makes payment to the former or against the latter's trust receipt facility.
11. The importer takes delivery of goods upon presentation of the transport (usually shipping) documents.

4.2.1.10. Parties Involved in Letter Of Credit (L/C):

❑ **The Applicant :**

The applicant is the party who approaches a bank in order to issue the L/C. Generally, the applicant is an importer who reaches an agreement with the exporter before approaching the bank to issue the L/C. The applicant is also normally obligated to reimburse the issuing bank for any payments made under the L/C.

❑ **The Issuing Bank :**

The bank issuing the L/C is known, as the issuing bank and it is usually the bank with which the importer maintains an account. The issuing bank undertakes an absolute obligation to pay upon presentation of documents drawn in strict conformity with the terms and conditions of the L/C.

❑ **The Advising Bank :**

The correspondent bank in the beneficiary's country to which the issuing bank sends the L/C is commonly referred to as the advising bank. The advising bank simply advises the L/C without any obligation on its part. However, the advising bank shall take reasonable care to check the apparent authenticity of the credit that it advises.

❑ **The Beneficiary:**

The beneficiary or exporter is the party entitled to draw payment under the L/C. The beneficiary will have to present the required documents to avail payment under the L/C.

❑ **The Confirming Bank:**

The confirming bank confirms that the issuing bank has issued a L/C. The confirming bank becomes directly obligated on the credit to the extent of its confirmation and by confirming, it acquires the rights and obligations of an issuer. The advising bank usually does L/C confirmation or a third bank in the beneficiary's located.

❑ **The Negotiating Bank:**

The bank that agrees to examine the documents under the L/C and pay the beneficiary is called the negotiating bank. Typically, the advising bank is nominated as the negotiating bank.

❑ **Reimbursing Bank:**

The bank nominated by the issuing bank to provide reimbursement to the negotiating bank or the payee bank is referred to as the reimbursing bank.

4.2.2. Dollar & Travelers Cheque Endorsement:

EXIM is an Authorized Dealer of American Express T/C. At the same time, they can buy and sell T/C and dollar. Every morning they get a telex from Head Office, Which carries the rate of the foreign currency transaction of the day. EXIM fix the rate by them. At the end of the each month the branch uses to submit all supportive documents (all foreign transactions documents and balance of the foreign currency) to the Bangladesh Bank and their Head Office.

4.2.3. Foreign Remittance:

Foreign DD and receiving any bill from foreign country is known as foreign remittance. The amount of foreign remittance is very significant in EXIM, Elephant Road Branch.

4.2.4 Foreign Currency Account:

A Foreigner, a Wage Earner working in foreign country can open this account, but it is possible to open a foreign currency (Dollar) account in Elephant Road Branch. The account holder gets a cheque book against the account and has to mention the amount in respective currency.

4.3. Functions of Foreign Exchange Department:

Foreign Exchange Department performs many functions to facilitate the foreign exchange transactions. These are:

- Facilitating Import Trade
- Facilitating Export Trade
- Providing Funded and Non-funded Credit Facility.
- Provide Non Commercial Remittance
- Maintaining Foreign Currency Accounts
- Selling of Foreign Currency Bond
- Preparation and Submission of Statements

The above mentioned functions are done by three sections namely:

- **Import Section**
- **Export Section**
- **Foreign Remittance Section.**

4.4. Import Section

Import is the flow of goods and services purchased by economic agent staying in the country from economic agent staying abroad. We can simplify Import as a means purchase of goods and services from the foreign countries into Bangladesh. Normally consumers, firms and Government of Bangladesh import foreign goods to meet their various necessities. Import section helps business and other people to import goods. In international environment, buyers and sellers are most of the cases unknown to each other. So seller always seeks guarantee for the payment for his goods exported. Here is the role of bank. Bank gives export guarantee that it will pay for the goods on behalf of the buyer. This guarantee is called Letter of Credit. Thus the contract between importer and exporter is given a legal shape by the banker by its 'Letter of Credit'. When a buyer goes to import some goods from a foreign buyer, he request his bank makes payments to the exporter of goods. And the bank recovers the amount from the importer.

4.4.1. Import Mechanisms:

To import, a person should be competent to be an importer. According to import and export control act, 1950, the officer of the chief controller of import and export provides the registration (IRC) to the importer. After obtaining this, this person has to secure a letter of credit authorization (LCA) from Bangladesh Bank and then a person becomes a qualified importer. He is the person who requests or instructs the opening bank to open an L/C. he is also called opener or applicant of the credit.

Import and Export (control) Act 1950 regulate the Import and Export trade of the country. There are a number of formalities, which on Importer has to fulfill before import goods. These formalities are explained bellow —

4.4.2. Import Registration Certificate (IRC)

The first thing one needs to carry on a business of import is called Import Registration Certificate. But registration is not required for import goods, which do not involve remittance of foreign exchange like medicine; reading materials etc. can be imported without registration by the users within monetary limit. Documents to be required for Import Registration Certificate are as follows —

- Income Registration Certificate
- Nationality Certificate
- Certificate from Chambers of Commerce and Industry Registered Trade Association
- Bank Solvency Certificate
- Copy of Trade License
- Requisite fees

On receiving application, the respective CCI&E officer will scrutinize the documents and conduct physical verification and issue demand note to the prospective importers to furnish the following papers through their nominated Bank —

- Original copy of treasury deposited as IRC fees
- Assets Certificate
- Affidavit from 1st class Magistrate
- Rent receipt
- Two passport size photograph
- Partnership deed in case of partnership firms
- Certificate of Registration, Memorandum and Articles of Association in case of Limited Company.

After scrutinizing and verifying, the nominated Bank will forward the same to the respective CCI&E office with forwarding schedule in duplicate through Banks representative. CCI&E then issues Import Registration Certificate to the Applicant.

4.4.3. Functions of Import section

1. IMP form :

The form IMP contains the followings—

- Name and address of the Authorized dealers.
- Amount of remittance to be permitted (i.e. L/C amount)
- LCA form no. Date and value in Taka.
- Description of goods.
- Invoice value in foreign currency, (i.e. L/C amount)
- Country of origin.
- Port of shipment.
- Name of steamer / Airline (i.e. By road/ship/air)
- Port of importation.
- Indenter's name and address.
- Indenter's registration number with CCI & E and Bangladesh Bank.
- Full name and address of the applicant.
- Registration number of the applicant with CCI & E.
- Type of LCAF.

2. Import Procedures:

Procedures, which are followed at the time of Import, are as follows:

- The buyer and the seller conclude a sale contract provided for payment by documentary credit.
- The buyer instructs his bank (the Issuing bank) to issue a credit in favor of the Seller/Exporter/Beneficiary.
- The Issuing Bank then send messages to another Bank (Advising Bank/Confirming Bank), usually situated in the country of seller, advice or confirms the Credit Issue.
- The Advising / confirming Bank then informs the seller through his Bank that the Credit has been issued.

- As soon as the seller receives the credit, if the credit satisfies him the he can reply that, he can meet its terms and conditions, he is in position to load the goods and dispatch them.
- The seller then sends the documents evidencing the shipment to the Bank where the Credit is available (Nominated Bank). This can be the Issuing Banker Confirming Bank; Bank named in the Credit as the paying, accepting and Negotiating Bank.
- The Bank then checks the documents against the credit. If the documents meet the requirements of the credit, the Bank then pay, accept or negotiate according to the terms of credit. In the case of credit available by negotiation, Issuing Bank will negotiate with recourse.
- The Bank, if other than the issuing bank, sends the documents to the issuing Bank.
- The issuing Bank checks the document and if they found that the document has met the credit requirements, they realize to the buyer upon payment of the amount due or other terms agreed between him and the issuing Bank.
- The buyer sends transport documents to the carrier who will then proceed to deliver goods.

An importer is required to have the followings to import through the bank

- A bank account in the bank.
- Import Registration certificate.
- Taxpaying identification number.
- Performa invoice indent
- Membership certificate
- LCA (Letter of credit application) form duly attested.
- One set of IMP form.
- Insurance cover note with money receipts.
- Others.

4.5. Export Section

The goods and services sold by Bangladesh to foreign households, businessmen and Government are called export. The export trade of our country is regulated by the imports and exports (control) Act, 1950. There are a number of formalities, which an exporter has to fulfill before and after shipment of goods. The exports from Bangladesh are subject to export trade control exercised by the Ministry Of Commerce through Chief Controller of imports and exports (CCI & E). No exporter is allowed to export any commodity permissible for export from Bangladesh unless he is registered with CCI & E and holds valid Export Registration Certificate (ERC). The ERC is required to be renewed every year. The ERC number is to be incorporated on EXP forms and other documents connected with export.

Types of Export:

Export must be done as under:

1. Export against L/C or firm contract.
2. Export against advance payment.
3. Export under consignment basis.

4.5.1. Export Operation of EXIM BANK

Bangladesh exports a large quantity of goods and services to foreign households. Readymade textile garments (both knitted and woven), jute, jute-made products, frozen shrimps, tea are the main goods that Bangladeshi exporters exports to foreign countries. Garments sector is the largest sector of our country. Bangladesh exports most of its readymade garments products to U.S.A and European Community (EC) countries. Bangladesh exports about 40% of its readymade garments products to U.S.A. Most of the exporters who export through EXIM Bank are readymade garments exporters. They open export L/Cs to export their goods, which they open against the import L/Cs opened by their foreign importers.

4.5.2. Legal Requirements of EXIM Bank Ltd. into the Export

Although payment aspects of exports are Bangladesh Bank's concern, the export policy Order announced by the Ministry of Commerce controls physical aspects. Bangladesh Bank has set out elaborate procedure and laid down detailed rules and regulations concerning Export and Export payments. All exports, to which the requirement of declaration applies, must be declared on the export Form. The branch should before certifying any export form, consider and take notice of the following:

- The intended exporter shall have valid Export Registration Certificate.
- Payment for goods exported from Bangladesh should be received through the branch in freely convertible foreign currency or in Taka from a non-resident Taka account of a bank branch or correspondent abroad.
- Commission, brokerage and other trade charges are admissible only up to a maximum of 5% of the value of goods. The charges beyond 5% may be admissible subject to prior approval of the Bangladesh Bank.
- In order to avoid any loss of foreign exchange to the country, the branch should see that
 - Arrangements have been made for realization of export proceeds within prescribed period of 4(four) months.
 - Arrangement has been made for receipt of title to goods like Bill of Landing, Airway Bill etc, by the branch on shipment of goods.
- The Export Form is signed either by the exporter or one holding valid legal power of attorney from exporter and the terms of the power of attorney are such that both the exporter and the attorney may be held responsible jointly and severally for realization of export proceeds.
- In respect of export of goods by land route or by sea, the Bill of Landing, Railway Receipts and other documents of title to cargo should be drawn only to the order of EXIM Bank Limited.
- In respect of export of goods by air, the Airway Bills and any other documents of title to cargo should be drawn to the order of EXIM bank Ltd. in the country of important nominated by the branch.

4.5.3. Issuance, Certification and Disposal of Export Forms

The Export Forms are in quadruplicate. The branch to their exporter clients will supply these Forms. In all cases the forms will be completed and signed by the exporter on this authorized attorney. After receipt of the Exp Forms from the exporters for certification purpose, the branch will see and ensure that each set of the forms is duly filled in.

Therefore, they will record full particulars for the forms in the Export Register (MBGx-11) and assign a number for each set of the Exp forms in the 5 boxes between AD's code number and year. The branch will also have to complete the forms themselves by monitoring all the required information and code number and certify the forms in the manner prescribed therein under seal and signature of the authorized official.

After the branch certifies the forms these should be submitted to the customs authorities after filling in the portion relating to them and affixing therein their seal and signature will return the duplicate, triplicate and the quadruplicate copies to the exporter/his agent. The customer's authority will forward the original copy to the Bangladesh Bank. The exporter must submit all the remaining copies of the Exp form and the shipping documents to the branch in time to enable the branch to submit the certified duplicate copy of the Exp forms to the foreign exchange policy department, Bangladesh Bank within 14 days from the date shipment of the goods.

The branch on receipt of export proceeds from abroad shall certify on the reverse of the triplicate copy of the form retained with them and forward it to the Bangladesh Bank with the usual monthly return. The branch for record will retain the quadruplicate copy.

4.5.4. Negotiation Discounting of Export Bills (Local)

The branch may negotiate/discount of export bills received by them from local suppliers-cum-exporters against inland BTB/Cs or inland L/Cs having tenor at sight or usance. Upon receipt of the documents the branch shall examine the documents with the L/Cs. If the documents appear on their face not to be in compliance with the terms and conditions of the credit, the beneficiary may be advised to rectify the discrepancies and/or the branch may send the documents on collection basis with the permission of the exporter. Purchase/collection registers assigning a number to each bill. The branch shall mail export bills under a forwarding schedule enclosing all

documents as per documentary credit incorporating appropriate Payment instructions for payment/acceptance of issuing bank. Upon receipt of the acceptance and maturity from the concerned issuing/drawing bank, the bill may be purchased/discounting would be prepared as per banks format under the signature of an authorized official and should be

Placed to the manager for disposal instruction/sanction. The branch then, make payment to the party by passing the voucher as per calculation shown in the discounting proposal at usance buying rate as per respective tenure of the usance bills.

The branch shall remind the drawee bank to make payment of the bill on maturity and follow up to be continued till realization of the bill. Overdue interest @ 16% p.a. is to be recovered from the drawee bank or from the exporter if the bill is realized after maturity date.

4.5.5. Alternative Procedure for Financing Export Bill (Local)

The branch may allow advance against acceptance of local Export Bills to their export clients by grant of loan (Secured) instead of discounting the same with approval of Head Office. The branch shall recover interest @ 16% p.a on the loan amount outstanding for actual period. The accounting procedures for these transactions are as follows:

(i) At the time of disbursement

Particular	Dr.	Cr.
Loan (secured) A/C: F.C bill value less margin to be retained @ prevailing O.D sight (export)	xxxxx	
Customers A/C: F.C bill value less margin to be retained @ prevailing O.D sight (export)		xxxxx

(ii) On realization of proceeds in B.D taka

Cr. Sundry Deposit A/C: Margin on FDBP (Local) for clearing of payment order

(iii) On clearance of payment order

Particular	Dr.	Cr.
Loan (secured) A/C: Accrued Interest amount	xxxxx	
Income A/C: Interest on FDBP (Local)		xxxxx
Sundry Deposit A/C: Margin on FDBP (Local)- Payment Order amount	xxxxx	
Loan (Secured) A/C: Outstanding amount + Accrued Interest		xxxxx
Customers A/C: Payment Order amount less loan (secured) outstanding		xxxxx

(iv) On realized of proceeds in F.C

Particular	Dr.	Cr.
Loan (secured) A/C: Accrued Interest amount	xxxxx	
Loan (Secured) A/C: Outstanding amount + Accrued Interest amount		xxxxx
EXIM General A/C on Nostro A/C: Realized F.C amount @ T.T Doc less loan (secured) outstanding amount with accrued interest	xxxxx	
Income A/C Exchange Gain on F.C difference amount on realized F.C amount @ between ready buying & T.T Doc		xxxxx

4.5.6. Advising Export L/C of EXIM Bank Ltd.

International transfer of goods from Bangladesh is made through the media of L/C issued by the foreign Bank at the request of importers in favor of exporters in Bangladesh. Such exports L/Cs are en-routed through the Banks who have correspondent relationship with the former. The foreign correspondent (i.e. issuing Bank) of EXIM Bank Limited (i.e. advising bank) may advise the L/Cs in the following manner:

- By shot telex followed by Airmail or
- By full text telex or
- By Airmail

The branch shall take reasonable care to check the apparent authenticity of the L/Cs, which, it advises. If the apparent authenticity cannot be established it must inform it to the issuing bank without delay. If the branch elects not to advice the L/Cs, it must so inform the issuing bank.

4.5.7. Transfer L/Cs

The branch at the request of the original beneficiary (first beneficiary) may execute transfer of L/Cs to the subsequent beneficiary (second beneficiary). For doing so, the first beneficiary must maintain an accounting relationship with the branch and the branch will verify his/her signature on the request letter. A Letter of Credit can be transferred only if it is expressly stated, as “transferable” by the issuing bank and transfer is not restricted to any other bank. The L/C can be transferred only on the terms and conditions specified in the Original L/C with the exception of L/C amount, unit price, expiry date, presentation time of documents and shipment validity, any of all of which may be reduced or curtailed. In addition, the name of first beneficiary can be submitted for that of the applicant, but if the name of the applicant is specially required by the original L/C to appear in any documents other than the invoice, such requirement must be fulfilled.

A transferable credit can be transferred once only i.e. second beneficiary cannot transfer the L/C to any subsequent Third beneficiary. However a credit can be transferred to more than one second beneficiary and when transfers are made in part it should be verified that the original L/C permits part shipment and the aggregate of such transfer must not exceed the original L/C value.

In our country transfer is made by using the photocopy of the original L/C with the following notation.

We do here by transfer full value of US\$..... against the export L/C No.....
Dated.....

For US\$..... in favor of M/S..... of For execution of full quantity of goods or following export order/styles.

Order/Style No.	Item	Quantity	Unit Price	Shipment validity	Service charge payable

The negotiating or collecting Bank is requested to remit the above mentioned service charges to our A/C. No..... With..... Bank..... Branch at the time of negation of export documents @ prevailing O.D sight (Export) on the date of negation.

4.6. Foreign Remittance

Foreign remittance is the transfer of foreign currency from one country to another country. Actually, foreign remittance is purchase and sale of freely convertible foreign currencies as permissible under exchange control regulations of the country. Foreign remittance is very important for the country as valuable foreign exchange is involved in the transfer mechanism.

4.6.1 Types of Remittance:

There are two types of foreign remittance

- Foreign Inward Remittance
- Foreign Outward Remittance

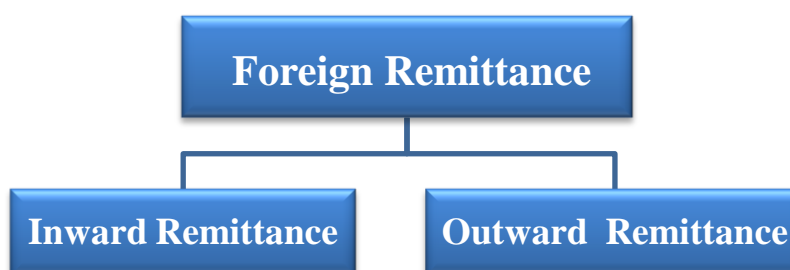


Figure: Types of Foreign Remittance.

4.6.2 Foreign Inward Remittance

Remittance comes from foreign countries to our country is called inward remittance. To the bankers or Ads inward remittance means purchase of foreign currency by authorized dealers. Generally, inward remittances are received by draft, mail transfer, TT, purchase of foreign bills& traveler's cheque, export bills; basically, these are the formal channels of receiving inward remittance. A local bank also receives indenting commission of local firm also comes under purview of inward remittance.

Inward Remittance:

- Telegraphic Transfer (TT)
- Mail Transfer (MT)
- Foreign Draft (FD)
- Payment Order (PO)
- Travelers Check (TC)
- Foreign Currency Notes

Collection procedure:

- To make entry in Foreign Bills Collection Register
- To prepare forwarding Schedule in Quadruplicate
- To prepare vouchers on realization of proceeds Payment Procedure
- To check up the custom declaration
- To consult purchase agreement
- To obtain the signature of TC and to verify the same with the previous signature of the beneficiary on the TC
- To make entry register for TC and Drafts purchased
- To prepare vouchers and FET schedule
- Lastly send for collection

Cancellation of Inward Remittance:

In the event of any inward remittance which has already been reported to the Bangladesh Bank, being subsequently cancelled, either in full or part, because of non-availability of beneficiary

Authorized Dealer must report the cancellation of inward remittance as an outward remittance of form “T/M” required document are

- The date of return in which the inward remittance was reported
- The name and address of the beneficiary
- The amount of the purchase as effected
- Reasons for cancellation

4.6.3 Foreign Outward Remittance

Remittance from our country to foreign countries is called outward foreign remittance. Sales of foreign currency by the authorized dealer or formal channels may be addressed as outward remittance. The authorized dealers must utmost caution to ensure that foreign currencies remitted or released by them are used only for the purposes for which they are released. Outward remittance may be made by appropriate method to the country to which remittance is authorized. Most outward remittance is approved by the authorized dealer on behalf of Bangladesh Bank.

- Telegraphic Transfer (TT)
- Mail Transfer (MT)
- Foreign Draft (FD)
- Payment Order (PO)
- Travelers Check (TC)
- Foreign Check (FC)
- Foreign Currency Notes

Outward remittance in favor of beneficiaries outside Bangladesh may be made in any of the following manners-

Formal channel:

Fund transfer from one country to another country through official channels, i.e. banking channel, post office, and other private service channels, such as- Western money order, Nemo money order etc.

Informal Channel:

Fund transfer from one country to another country through hand by hand or over telephone in an unofficial channel like as “Hundi”. Remittance collected by informal “Hundi” rings operating in Middle East countries and UK are also used to finance illegal trade and transactions.

CHAPTER 05:

Analysis & Findings

5.1. Deposits

Deposit is one of the principal sources of fund for investment of commercial banks and investment of deposit is the main stream of revenue in banking business. The Bank focused on product development and achieved an ideal deposit mix in the year 2011. It launched two new deposit products during the year namely “Mudaraba Cash Waqf Deposit” and “Mudaraba Denmohor/Marriage Deposit”.

(Tk. in Millions)

Content	2007	2008	2009	2010	2011
Deposits	41546.57	57586.99	73835.46	94949.40	107881.21

Table 01: Deposits

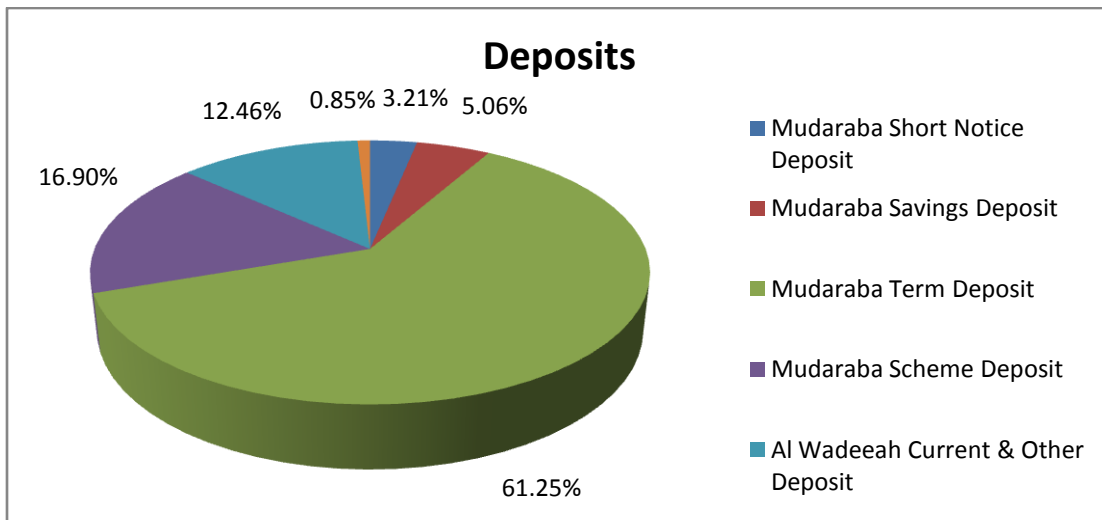


Figure 01: Deposits

Analysis:

The total deposit of the bank stood at Tk. 107881.21 million as on 31 December 2011 against Tk. 94949.40 million of previous year with an increase of Tk. 12931.81 million at a growth rate of 13.62%

5.2. Investments (General)

The quality of investment has improved significantly in the year 2011 over the previous year as reflected in the ratio of classified investment to total investment, which decreased from 1.99% as on 31 December 2010 to 1.63% as on 31 December 2011.

(Tk. in Millions)

Content	2007	2008	2009	2010	2011
Investment (General)	40195.24	53637.68	69058.87	93296.65	99699.63

Table 02: Investment (General)

(Amount in Million Tk.)

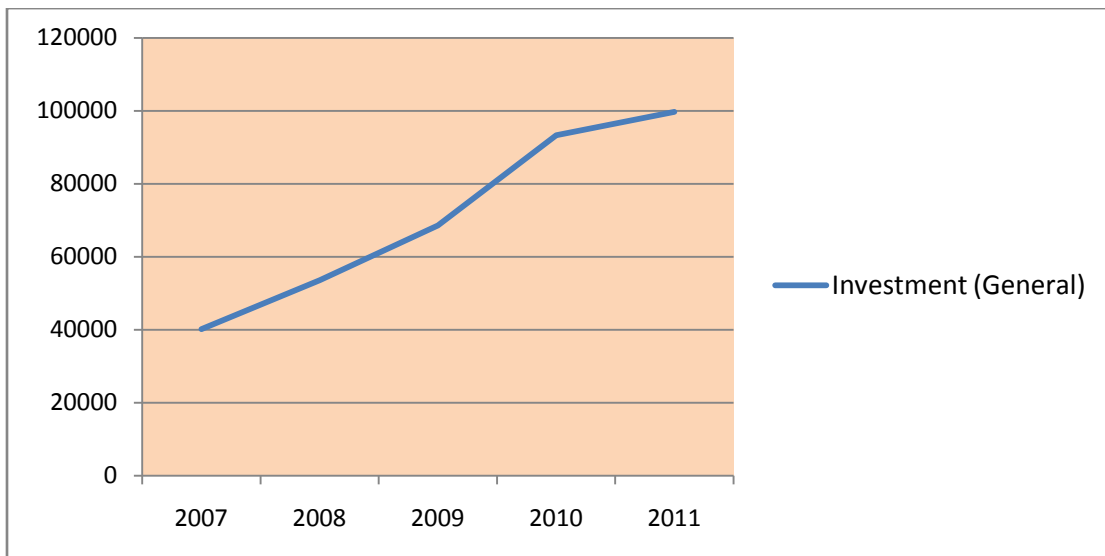


Figure 02: Investment (General)

Analysis:

The total investment (General) of the bank was Tk. 99699.63 million as on 31 December 2011 against Tk. 93296.65 million as 31 December 2010 registering a growth of 6.86%. The bank concentrated on increasing the rated investment exposure, which contributed in limiting the Risk Weighted Asset.

5.3. Investments in Shares & Securities

(Amount in Million Tk.)

Content	2007	2008	2009	2010	2011
Investment (Share & Securities)	2457.72	2894.02	2189.54	4522.04	6734.03

Table 03: Shares & Securities Investments

(Amount in Million Tk.)

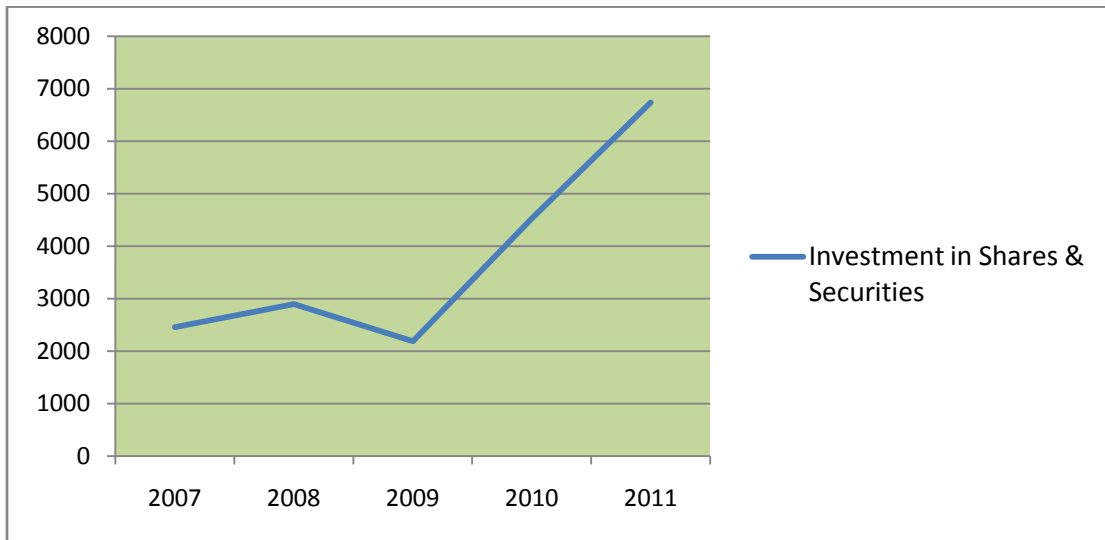


Figure 03: Shares & Securities Investments

Analysis:

The size of Investment portfolio of the bank was at Tk. 6734.03million as on 31 December, 2011 against Tk. 4522.04 millions of the previous year with an increase of Tk. 2211.99 million at a growth rate of 48.92%. The portfolio comprise mainly of Bangladesh Government Islamic Investment Bond and Shares of different companies as well as investment in subsidiaries.

5.4. Foreign Exchange Business (Including Export, Import & Remittance)

(Tk. In Millions)

Content	2007	2008	2009	2010	2011
Foreign Exchange Business	117900.14	156434.57	162604.61	227966.60	254407.47

Table 04: Foreign Exchange Business

(Amount in Million Tk.)

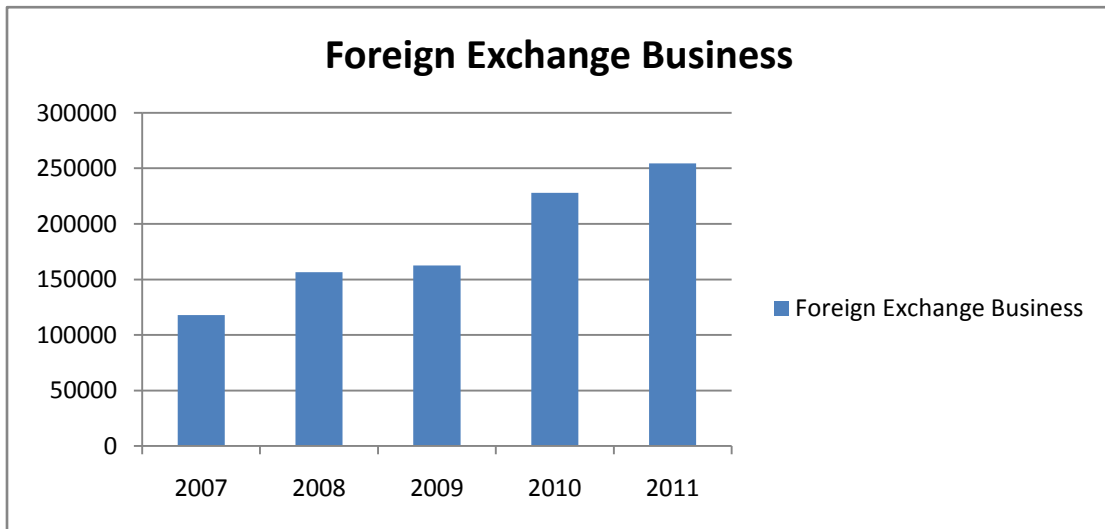


Figure 04: Foreign Exchange Business

Analysis:

From the above graph we see that amount of total imports Foreign Exchange Business are increasing trend over the 5 years. It indicates that the bank is financing huge amount to help in import materials and machineries. It also collects remittance by western money union and other ways and provides customer services.

5.5. Import Performance of EXIM Bank Ltd.

(Tk. In Millions)

Content	2007	2008	2009	2010	2011
Import Business	61399.4	78540.49	83911.51	129570.73	128445.77

Table 05: Import Business

(Amount in Million Tk.)

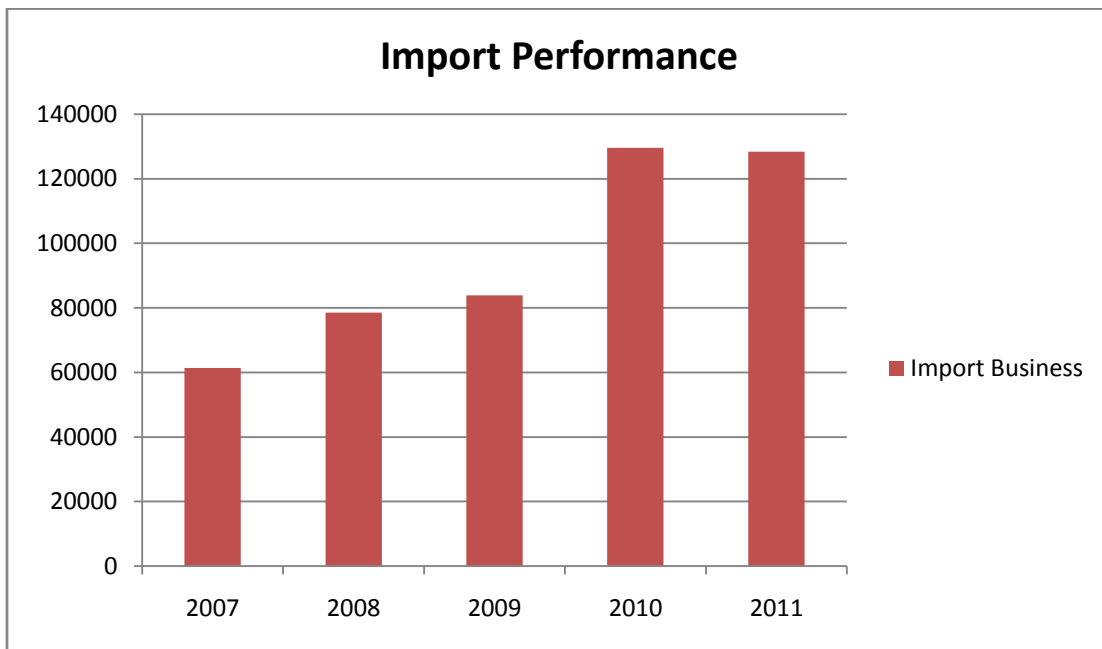


Figure 05: Import Business

Analysis:

In the year 2011, import business of the bank was BDT 128.45 billion by handling 34,271 number of import letter of credit. Import business plunged by 0.87% in 2011 compare to the previous year.

5.6. Export Performance of EXIM Bank Ltd.

(Tk. In Millions)

Content	2007	2008	2009	2010	2011
Export Business	55790.42	76465.62	76240.77	95359.45	122217.34

Table 06: Export Business

(Amount in Million Tk.)

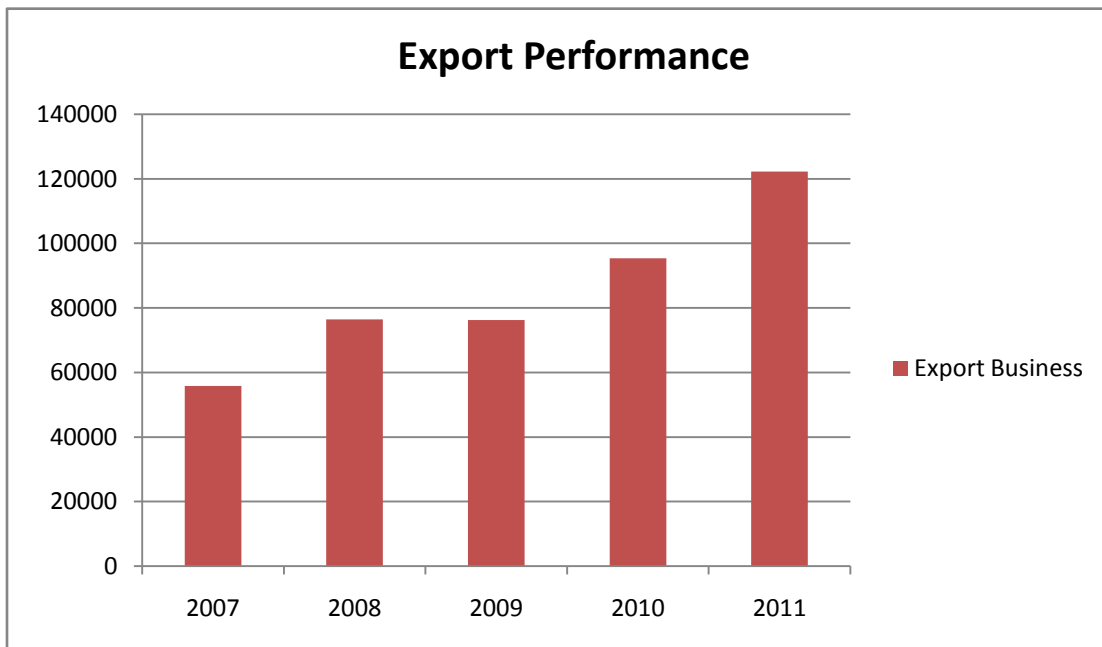


Figure 06: Export Business

Analysis:

In the year 2011, export business of the bank was BDT 122.22 Billion by handling 33,857 number of export documents. Export business of the bank stood at BDT 122.22 billion in 2011 with a growth of 21.98% in comparison with the previous year.

5.7. Foreign Remittance

(Tk. In Millions)

Content	2007	2008	2009	2010	2011
Foreign Remittance	710.32	1428.48	2452.33	3036.42	3744.36

Table 03: Foreign Remittance

(Amount in Million Tk.)

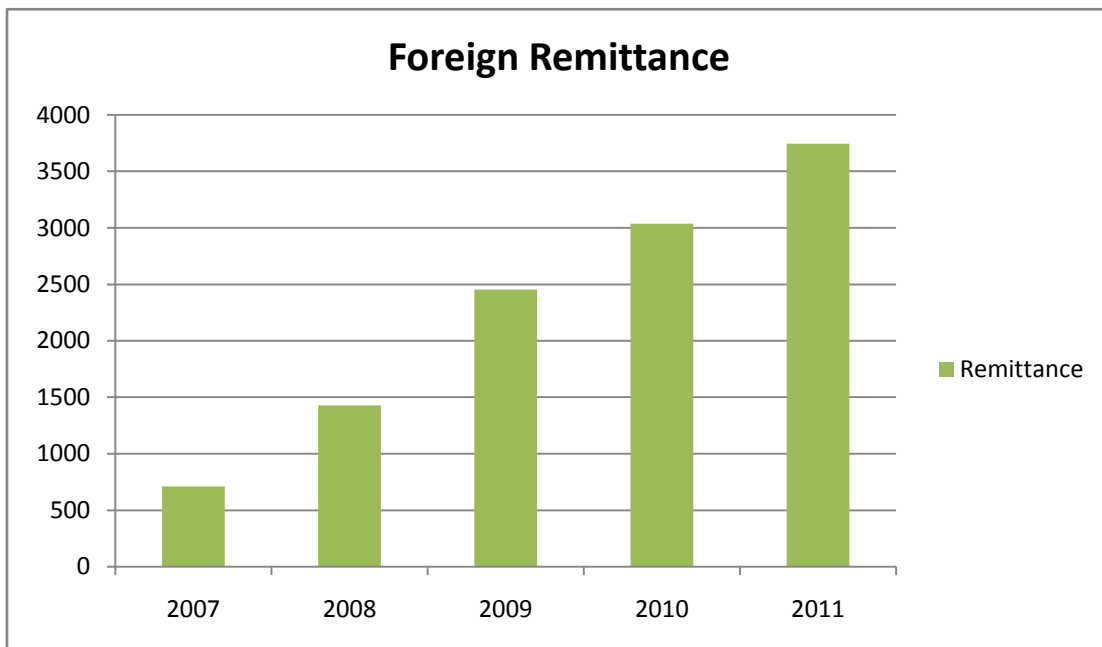


Figure 07: Foreign Remittance

Analysis:

Bank received BDT 3.74 Billion as wage earners remittance in the year 2011. It was BDT 3.04 Billion in 2010 which indicates the growth rate in 2011 is 23.32%

5.2 Findings of the Study

EXIM Bank is Shariah based Islamic bank. Most of people in our country have not proper knowledge about Islamic banking rules. So EXIM Bank has few problems:

- Shariah banking is the indistinct phenomenon in our country. So most of their people have not proper knowledge about the activities of the Shariah Bank as well as its investment policies. Which hamper the large scope of the investment of EXIM Bank.
- As EXIM Bank Limited is not a foreign bank, it cannot attract as much as clients for Foreign Trade. Because client prefer Global bank for foreign transaction.
- According to some clients, opinion introducer is one of the problems to open an account. If a person who is new of the city wants to open account, it is a problem for him/her to arrange an introducer of SB or CD accounts holder.
- Bankers face enormous problem to fill up loan related paper like parties loan application, stock report, Net worth valuation report etc.
- In our country there are no prescribing Islamic banking guidelines from banking authority (Bangladesh Bank).
- Proper documentation under Islamic rules is some creates serious problems for investment taking practices.
- From the previous years it has been observing that frequently the currency of taka is devaluating and dollar currency is going very high. And devaluation of taka is hampering import business and other sectors too.
- Government new regulations like as L/C margin reduce the Foreign Exchange transaction.
- Strict controlling of Central Bank in foreign currency endorsement is a major problem.
- Decisions are centralized.
- Space shortage is another major problem in General Banking Department.
- Sometimes the valuation of properties are does not calculate properly for that reason customer is sufferer. It does not offer various loan projects than other Bank.
- In some cases the number of employee engaged in rendering specific services is insufficient.

Chapter 6: Suggestions & Recommendations

6.1. Suggestions & Recommendations

6.1.1 Suggestions

- To provide online services all over the country immediately.
- To directly credit the foreign remittances through online banking.
- To easy procurement & procedures in respect of all transaction.
- To strengthen sufficient logistic supports.
- To develop customers service with harmony.
- Prompt customer's service is needed, like one stop services.
- To recruit sufficient skilled manpower with sound computer literacy and English proficiency.
- To motivate the human resources for mobilizing deposit, reduction of overdue etc.
- To analyze & build-up consciousness of competitors strategies.
- To enhance employees remuneration comparing to others.

6.1.2. Recommendations

- In many cases, the foreign banks want confirmations from other foreign banks with which this bank has correspondence. This proves the poor financial condition of our banking sector and also our country. Banks should try to improve this situation.
- The bank should arrange more training programs for their officials. Quality training will help the officials to enrich them with more recent knowledge of foreign exchange activities.
- As the clients are not in favor of introducer system that currently present, if possible the rule of introducing to open an account should be changed. Because many people face different problems to arrange an introducer in the time of opening accounts.
- Margin and commission on L/Cs varies from customer to customer. A few customers are allowed to open L/C even with nil margin and fees commission. I think the bank should review the customer transaction behavior for a period of time and should develop a certain policy in this regard.

- In case of L/Cs, sometimes customers insist on giving their payments though their documents are found discrepant. In some cases bank has to give payment to these customers for different reasons. But it lessens the credibility of the bank. I think the bank should be strict as possible about giving payment against discrepant documents without hurting the customers.
- The manager may also provide sufficient software facilities to the employees in the foreign exchange department of this branch.
- The manager should take some promotional activities so that the businessmen will feel interest to open their L/C in the foreign exchange department, Elephant Road Branch of EXIM Bank limited. As a result, the manager can successfully expand the activities of foreign exchange department of this branch.
- In foreign exchange department it is required to communicate with foreign banks and International Division more frequently and quickly. To make the process easily modern communication media for example e-mail, Fax, Internet etc. should be used in EXIM Bank.
- Up to date banking software should be use to give better service to the customers.
- The Software in General Banking as well as foreign exchange should be upgraded.
- The valuation of the property should be calculated by the surveyors.
- Online Banking should be provided for fast services.
- Manpower should be increase in foreign exchange section.
- For selling their products this branch need strong marketing to sell their products.
- Regular Performance Appraisal and assuring promotion/reward depending upon that will resist the employees switching tendency.
- Space shortage is another major problem for decoration EXIM Bank Limited, Elephant Road branch is congested than other private banks. Management should consider this for external marketing.

Chapter 7: Conclusion

7.0. Conclusion

The banking service of the EXIM Bank Limited is getting modernized day – by – day. The customers are choosing EXIM Bank Limited as best services among other commercial banks. Day by day EXIM Bank Limited increases their banking systems. They try to give the best service to their customer. EXIM Bank Ltd. increase its customer service and the image has put excellent effect on consumer minds its customers are growing rapidly .There was a time when people of Bangladesh didn't trust the private banks but the sincere and excellent service of EXIM Bank Ltd. made difference. Though I am facing some problems and limitations but I enjoyed my work. And worked in EXIM Bank Limited is gaining theoretical knowledge as well as practical knowledge. This is not possible in the classroom study. To prepare my internship report, I think I can gather more information and get better experience in work in General banking Foreign Exchange department and Investment department. I think it is one of the best private banks. Presently EXIM Bank Ltd. is being treated as one of the potential banks in other private banks in Bangladesh. EXIM Bank Ltd. is very concern about the customer care. Transaction is doing very smoothly and interest rate is also good. Finally, I can say EXIM Bank Limited operates very well day by day.

Abbreviations

A/C	Account	
AOF	Accounting Opening Form	a
ATM	Automated Teller Machine	
BB	Bangladesh Bank	
BDT	Bangladeshi Taka	
BOE	bill of exchange	b
B/L	Bill of Lading	
CC	Credit Card	
CRM	Customer Relationship Manager	
CSO	Customer Service Officer	c
CSR	Customer Service Representative	
DD	Demand Draft	
DP Note	Demand Promissory Note	d
DSE	Direct Sales Executive	
EXP	Export Form	
EPB	Export Promotion Bureau	e
FCY	Foreign Currency	
FDR	Fixed Deposit Receipt	
FOB	Free On Board	f
GB	General Banking	
IMP	Import Form	
ICB	Investment Corporation of Bangladesh	
IPO	Initial Public Offering	i
IRC	Import Registration Certificate	

KYC	Know Your Customer.	k
L/C	Letter of Credit	l
LCAF	Letter of Credit Authorization Form	
MNC	Multi National Corporation	m
NGO	Non – Government Organization	n
NPL	Non Performing Loan	
OD	Opening Date/Over Draft	o
PDC	Post Dated Cheque	p
PL	Personal Loan	
PIN	Personal Identification Number	r
PO	Pay Order	
RFC	Resident Foreign Currency Deposit	s
RMG	Ready Made Garments.	
SOD	Secured Over Draft	t
STD	Short Term Deposit	
TP	Transaction Profile	v
TIN	Tax Identification Number	
VAT	Value Added Tax.	w
WEDB	Wage Earner’s Development Bond.	

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